

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Citizens for a Better La Puente (the “Committee”) was a campaign committee formed to support La Puente City Council candidates George Gaytan and Edward Rodarte in the March 4, 1997 General Municipal Election. Respondent Alex Espinoza, III was the treasurer of the Committee. Under the provisions of the Political Reform Act (the “Act”),<sup>1</sup> Respondents were required to file campaign statements disclosing information about the Committee and its expenditures, and to maintain required records about the Committee’s activities. Respondents were also required to disclose the true address of the Committee on any mass mailings sent out by the Committee.

For the purposes of this Stipulation, Respondents’ violations of the Political Reform Act are stated as follows:

COUNT 1: On or about February 1, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III received \$847 in contributions, and failed to maintain detailed records and accounts that are necessary to properly prepare a campaign statement disclosing these contributions, in violation of Government Code section 84104.

COUNT 2: On or about February 10, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III filed a statement of organization, as required by section 84101 of the Government Code, which contained a false street address for Citizens for a Better La Puente, in violation of Government Code section 84102.

COUNT 3: On or about February 27, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III received \$597 in contributions, and failed to maintain detailed records and accounts that are necessary to properly prepare a campaign statement disclosing these contributions, in violation of Government Code section 84104.

COUNT 4: On or about and between February 27, 1997 and March 3, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III sent a mass mailing, as defined in section 82041.5 of the Government Code, that failed to disclose the true address of Citizens for a Better La Puente, in violation of Government Code section 84305.

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations Section 18000 *et seq.* All references to regulations are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

COUNT 5: On or about and between February 27, 1997 and March 3, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III sent a mass mailing, as defined in section 82041.5 of the Government Code, that failed to disclose the true address of Citizens for a Better La Puente, in violation of Government Code section 84305.

COUNT 6: On or about March 4, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III received \$2,005 in contributions and failed to maintain detailed records and accounts that are necessary to properly prepare a campaign statement disclosing these contributions, in violation of Government Code section 84104.

COUNT 7: On or about March 14, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III received \$6,917 in contributions, and failed to maintain detailed records and accounts that are necessary to properly prepare a campaign statement disclosing these contributions, in violation of Government Code section 84104.

COUNT 8: On or about May 23, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III made \$691.73 in expenditures and failed to maintain detailed records, accounts and bills that are necessary to properly prepare a campaign statement disclosing these expenditures, in violation of Government Code section 84104.

COUNT 9: On or about July 31, 1997, Respondents Citizens for a Better La Puente and Alex Espinoza, III filed a semi-annual campaign statement, as required by section 84200 of the Government Code, that failed to disclose a February 24, 1997 expenditure of \$600 to Walking Man, in violation of Government Code section 84211, subdivision (k).

## **SUMMARY OF THE LAW**

### **Statement of Organization**

Section 82013, subdivisions (a) and (b) of the Government Code define a committee as any person or combination of persons who receives contributions totaling one thousand dollars (\$1,000) or more, or makes independent expenditures totaling one thousand dollars (\$1,000) or more, in a calendar year.

Section 84101, subdivision (a), provides that every committee, as defined in subdivision (a) of Section 82013, shall file with the Secretary of State a statement of organization within ten days after it qualifies as a committee. Pursuant to Section 84102, subdivision (a), the statement of organization shall include the name, street address and telephone number, if any, of the committee. Section 84103, subdivision (a) states that whenever there is a change in any of the information contained in a statement of organization, an amendment shall be filed within ten days to reflect the change.

### **Duty to Maintain Records**

To ensure accurate campaign reporting, Section 84104 imposes a mandatory duty on each candidate, treasurer, and elected officer to maintain detailed accounts, records, bills and receipts that are necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act. Under regulation 18401, subdivisions (a)(1) - (a)(3), this duty includes maintaining original source documentation for all contributions.

### **Duty to Disclose Expenditures**

An express purpose of the Political Reform Act, as set forth at section 81002, subdivision (a) of the Government Code, is to assure that voters will be better informed, and improper practices will be inhibited. The Act therefore establishes a campaign reporting scheme designed to accomplish this purpose of disclosure. One feature of the system, found at sections 84200 through 84225, is that candidates and committees are required to file periodic campaign statements disclosing their contributions and expenditures. Included among these statements are semi-annual campaign statements. (Section 84200.)

Pursuant to section 84211, subdivision (k), expenditures by a committee totaling one hundred dollars (\$100) or more must be itemized on campaign statements. For each person to whom an expenditure of one hundred dollars (\$100) or more has been made by a committee, Government Code Section 84211, subdivision (k) requires disclosure of the following information: the full name and address of the person to whom the expenditure was made, the amount of the expenditure, and a brief description of the consideration for which the expenditure was made.

### **Cash Expenditures**

Pursuant to section 84300, subdivision (b), no expenditure of \$100 or more shall be made in cash.

### **Duty to Disclose the True Sender Address on a Mass Mailing**

Section 84305, subdivision (a) requires candidates and/or committees to properly identify themselves as the sender of any mass mailing. Section 84305, subdivision (a) specifically requires that:

“....no candidate or committee shall send a mass mailing, unless the name, **street address**, and city of the candidate or committee are shown on the outside of each piece of mail in the mass mailing and on at least one of the inserts included within each piece of mail of the mailing in no less than 6 point type which shall be in a color or print which contrasts with the background so as to be easily legible. A post office box may be used in lieu of a street address if the organization’s address is a matter of public record with the Secretary of State.” (Emphasis added).

Regulation 18435 clarifies the meaning of section 84305, subdivision (a), by defining the significant terms used in that section. Subdivision (a) of the Regulation defines a “mass mailing” as over two hundred substantially similar pieces of mail sent within a calendar month. Subdivision (b) of Regulation 18435, defines the term “sender,” as that term is used in section 84305, as the candidate or committee who pays for the largest portion of expenditures attributable to the designing, printing, and posting of the mailing.

## **SUMMARY OF THE FACTS**

Respondent Citizens for a Better La Puente was a campaign committee formed shortly before the March 4, 1997 General Municipal Election, to support La Puente City Council candidates George Gaytan and Edward Rodarte. Respondent Alex Espinoza, III was the Committee’s treasurer. The committee filed a statement of organization on February 10, 1997. It was noted on the statement of organization that the Committee had not yet qualified as a committee.

### **COUNT 1**

According to the Committee’s bank records, on February 1, 1997, \$847 in cash was deposited into the Committee’s bank account. Respondents have failed to maintain any records of the source of these contributions, as required by section 84104. By failing to maintain detailed records and accounts for this deposit, Respondents violated section 84104.

### **COUNT 2**

On the statement of organization that it filed on February 10, 1997, Respondent Citizens for a Better La Puente listed its address as 11426 Washington Boulevard, Santa Fe Springs. The Committee’s mailing address was listed on the statement of organization as 200 North Glendora Avenue, Suite 192, La Puente. Mr. Espinoza’s address was also listed on the statement of organization as 200 North Glendora Avenue, Suite 192, La Puente. In fact, the 11426 Washington Boulevard address was an unoccupied bowling alley, and the 200 North Glendora Avenue address was that of Mailboxes & More, a mailbox rental business. By filing a statement of organization that reported a false street address for the committee, Respondents violated section 84102.

### **COUNT 3**

According to the Committee’s bank records, on February 27, 1997, \$597 was deposited into the Committee’s bank account, of which \$347 was in cash. Respondents have failed to maintain any records of the source of these contributions, as required by section 84104. By failing to maintain detailed records and accounts for this deposit, Respondents violated section 84104.

#### COUNTS 4 and 5

On or about February 27, 1997 through March 3, 1997, Respondent Citizens for a Better La Puente sent two mass mailings supporting candidates Rodarte and Gaytan in the March 4, 1997 General Election. The first mass mailing warned the voters not to vote for candidate Lola Storing, and urged them to vote for Mr. Rodarte and Mr. Gaytan. The second mass mailing included pictures of Mr. Gaytan and Mr. Rodarte on one side, and a replica of a sample ballot on the other, along with the city seal. For each of the mass mailings, over 2,000 mailers were sent, and the Committee's rented mailbox was shown as the address for the Committee. As the mailers did not list a street address for the Committee, and as the street address for the Committee that was on file with the Secretary of State was the address of an abandon bowling alley, the public was deprived of information regarding who was the source of the mailers.

By sending two mass mailings that failed to disclose the true address of Respondent Committee, Respondents committed two violations of section 84305.

#### COUNT 6

According to the Committee's bank records, on March 4, 1997, \$2,005 was deposited into the Committee's bank account, of which \$1,906 was in cash. Respondents have failed to maintain any records of the source of these contributions, as required by section 84104. By failing to maintain detailed records and accounts for this deposit, Respondents violated section 84104.

#### COUNT 7

According to the Committee's bank records, on March 14, 1997, \$6,917 in cash was deposited into the Committee's bank account. Respondents have failed to maintain any records of the source of these contributions, as required by section 84104. By failing to maintain detailed records and accounts for this deposit, Respondents violated section 84104.

#### COUNT 8

The Committee's bank account was closed on May 23, 1997, with an account balance of \$691.73. Respondents Citizens for a Better La Puente and Alex Espinoza, III failed to maintain detailed records, accounts and bills that are necessary to properly prepare a campaign statement disclosing the disposition of these funds, in violation of Government Code section 84104.

#### COUNT 9

In a semi-annual campaign statement, covering the period February 27, 1997 through June 30, 1997, filed on July 31, 1997, Respondents failed to report a \$600 expenditure on February 24, 1997, to a company called "Walking Man" for distributing a flyer. By failing to disclose a \$600 expenditure, Respondents violated section 84211, subdivision (k).

## **CONCLUSION**

This matter consists of nine counts, which carry a maximum possible administrative penalty of eighteen thousand dollars (\$18,000), Respondents' reporting of a false address for the Committee, failing to disclose a \$600 expenditure, failing to maintain required financial records, and failing to disclose proper identifying information on mass mailings are extremely serious violations.

The facts of the case therefore justify imposition of the maximum penalty of eighteen thousand dollars (\$18,000).